

**Testimony of Ambassador Jeffrey Lang
Deputy United States Trade Representative
before the
Subcommittees on Africa and on International Economic Policy, and Trade
of the
House Committee on International Relations
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We welcome this occasion to discuss opportunities to expand U.S. trade and investment with Africa and the Administration's program for seizing these opportunities. I want to commend the Congress for its leadership in focusing on the need to develop a new trade approach to Africa. The Clinton Administration enthusiastically endorses the basic approach of the African Growth and Opportunity Act (H.R. 1432). We look forward to working with the Congress to craft and pass legislation that will help build a new trade relationship between the United States and African countries.

We believe that this is an opportune time for us jointly to address the issue of our economic and trade relations with Africa. Over the last year and a half, both the Administration and the U.S. International Trade Commission have submitted two reports on this question. Our most recent report sought to lay a foundation for our future work in this area. The Administration has also worked to develop new policies in this area, after consultation with African officials. The President is very interested in this subject and has directed us to determine what steps we can take to establish more substantial trade relations with Africa.

We recognize the achievements of many countries in Sub-Saharan Africa in pursuing economic and political reforms and wish to offer special support to those countries committed to pursuing accelerated reforms. Today, I want to discuss the Clinton Administration's new economic approach to Africa. We have worked intensely within the Administration to develop a program that we hope will help African countries lock in and accelerate the increase in growth that they are starting to achieve. I would like to acknowledge the contributions of a number of agencies, including the Treasury, State, Commerce and Agriculture Departments, USAID, OPIC, Export-Import Bank and the Trade and Development Agency. We have worked on this project as a team under the coordination of the National Security Council and the National Economic Council to produce this comprehensive program. My remarks today will focus on the trade and investment policy aspects of the program because that is my area of expertise and trade and investment with Africa is, I understand, the subject of this hearing.

The Administration's program is entitled "Partnership for Promoting Economic Growth and Opportunity in Africa." This partnership begins with the simple but powerful idea that American interests are best served if we view African countries as partners in trade and investment.

We begin with the idea that building strong trade partnerships with Africa's rapidly growing and reforming economies is in our interest. It is also the key to generating growth and

opportunity in the rest of the continent. The 48 countries in Sub-Saharan Africa are quite diverse. Some countries in the region are already showing that the continent can be a region of dynamic economic growth, and that there is no reason why they cannot achieve Asian levels of growth if they make the right policy choices. Only if we build on Africa's progress can we change the minds of those in the private and public sectors who doubt the continent's potential.

Our plan highlights Africa's success stories. In the last few years, more than 30 countries have instituted economic reform programs. They have adopted the most critical reforms -- liberalizing exchange rates and prices, privatizing state-owned enterprises, instituting tighter disciplines over government expenditures, ending costly subsidies, and reducing barriers to trade and investment. Many countries have also undertaken political reforms.

Reform efforts have helped boost economic growth in Africa from 1.4 percent in the 1991-94 period to 3.4 percent in 1995 and 5.6 percent in 1996. The United States seeks to encourage these reforms and the growth that stems from them. The benefits for the United States are clear. In an increasingly competitive global economy, the United States cannot afford to neglect a largely untapped market of some 600-million-plus people, and the world cannot afford to see a vast region marginalized. The lowering of tariffs and other trade barriers will help African nations to grow. They will also help Americans by opening these markets to our goods and services. Increased growth will also contribute to social and political stability on the continent and to an enhanced capacity to address the problems with which we are all too familiar.

The focus of this hearing on obstacles to trade and investment is appropriate because they urgently need addressing. In the last 40 years, Africa's share of global trade has fallen from 3.1 percent to 1.2 percent. A recent World Bank study has concluded that the most significant part of Africa's marginalization in world trade can be attributed to African trade barriers that are far more restrictive than those in high-growth developing countries and incorporate a substantial anti-export bias. For example, import tariffs in sub-Saharan Africa average 26.8 percent, whereas they only average 8.7 in the fastest-growing exporters in the developing world. African countries also impose some form of nontariff barrier restrictions on over one-third of all of their imports, a ratio that is almost nine times higher than the corresponding average for fast-growing exporters. Such trade protectionism erodes the competitive position of Africa's exports and, according to this study, costs the region an average of \$11 billion per year in annual trade losses -- about the same as total aid to Africa from all sources in 1991.

The core premise of our plan is that those nations willing and able to pursue the most aggressive growth-oriented economic policies -- principally by opening their economies to the world marketplace -- are the ones most likely to be the engines of growth on the continent. The plan provides incentives for all African countries to join this advance group.

Many African countries have been able to make substantial achievements in restarting economic growth by taking bold steps to open, liberalize, and privatize their economies. The most dramatic progress has come when countries have focused on three areas: trade and

investment liberalization, investing in human resources, and improving policy management. Our program seeks to emphasize support for countries that are making strong efforts in these areas.

In the area of trade and investment, we attach particular importance to the extent to which countries have made substantial progress toward reducing tariff levels, binding their tariffs in the WTO and assuming meaningful binding obligations in areas of trade such as services, and in eliminating nontariff barriers to trade. We also think it is very important that any country in Sub-Saharan Africa that is not already a member of the WTO should be actively pursuing membership in the WTO and be prepared to take on meaningful obligations. We are pleased that several African countries made commitments in the recently concluded WTO telecom services negotiations. We hope that these countries will also make commitments in the WTO financial services negotiations which resumed last month.

We also believe economic growth may be enhanced by other factors in the trade and investment area such as the provision of national treatment for foreign investment, a readiness to begin negotiations with the United States on a Bilateral Investment Treaty, privatization of sectors of the economy that are most likely to attract foreign investment, compliance with programs with and obligations to the International Monetary Fund and other international financial institutions and the introduction of current account convertibility.

Mr. Chairman, I would like to discuss briefly the specific elements of the Administration's program for Partnership for Economic Growth and Opportunity in Africa. Through this Partnership the United States would seek to work in particular with those countries making strong efforts at growth-oriented policies in areas such as those I have just discussed.

We recognize that not all African countries are ready or able to take the steps necessary to spur high levels of economic growth. Therefore, we propose to make available and to work with the relevant international institutions to make available the following opportunities to Sub-Saharan African countries, according to their desired level of participation. Under the overall partnership countries can participate at one of three different levels.

To support efforts to achieve sustainable economic growth throughout Sub-Saharan Africa, at the first level of participation the Administration will make broadly available the following opportunities and assistance. Level I will include notably:

- *Enhanced market access.* African nations should continue to receive preferential market access under the existing Generalized System of Preference (GSP) program, which provides less-developed countries duty-free access for products in some 4,000 tariff lines and will provide least-developed countries enhanced access on products in up to an additional 1800 tariff lines.

- In support of this we strongly hope that the Congress will quickly re-authorize the global GSP program on a multi-year basis. For 20 years it has provided

developing countries with preferential tariff access to the United States, and we believe it can be even more effective with the expanded product coverage that was authorized last year for the least developed countries.

-- *Investment support.* The Overseas Private Investment Corporation (OPIC) is working with the private sector sponsors of a proposed \$150 million fund for equity investment in a variety of economic sectors. Two-thirds of the fund would consist of OPIC guaranteed debt. OPIC is also working to develop one or more separate funds that would focus on economic infrastructure projects. These potential funds would have aggregate capital of up to \$500 million. We have also secured agreement that the African Development Fund will develop a capacity for financing infrastructure projects, in particular those that will improve linkages among markets, both within countries and regionally. We are pleased that HR 1432 calls for such funds.

-- *Support for regional economic integration.* Under the U.S. Agency for International Development's (USAID) Initiative for Southern Africa support will be provided for private and public sector cooperative activities in areas of regional concern, including investment policy harmonization, regional business ties, financial sector development, privatization and facilitating cooperation between private sector and regional governments.

-- *Support for American-African business relations.* USAID will provide support to help catalyze American-African business ties.

-- *Export-Import Bank.* The Export-Import Bank of the United States will encourage use of its programs through designation of a senior advisor on Africa to its board and a campaign for outreach, particularly with the private sector.

-- *Assistant U.S. Trade Representative for Africa.* To ensure that trade issues with Africa receive proper attention, Ambassador Barshefsky has decided to create an Assistant U.S. Trade Representative for Africa.

In addition, the Administration will work with the IMF, World Bank Group and the African Development Bank Group on the development and implementation of several initiatives to support private sector investment, trade development and capacity building.

To support those countries pursuing aggressive growth-oriented policies, the Administration would offer, at the discretion of the President, the following additional opportunities, which we have characterized as level two participation:

-- *Additional market access through expansion of the GSP program.* We are very pleased that the “Africa Growth and Opportunity Act” would provide authority for the President, after receiving advice from the U.S. International Trade Commission, to include in the GSP program for these countries a number of products that are presently excluded. This is the one major area of our proposed program for which we need legislative authorization before moving forward. While we question the appropriateness of making eligible for GSP certain products mentioned in the bill, we wholeheartedly welcome this approach and want to work with the Committee on it.

-- The Administration recognizes the importance of the textile and apparel industry to developing countries. We are looking forward to working with Congress on an initiative. We support a program that will be consistent with our overall commitments under the WTO, while at the same time taking into account the interests of U.S. industry and Africa.

-- *Debt reduction.* To help ensure that the growth-oriented countries now burdened by excessive debt are in a position to invest in human resources, the Administration would support an approach that leads to the extinction of concessional bilateral debt for the heavily indebted poor countries (HIPC), and we would urge the World Bank and IMF boards to provide deep relief under the HIPC debt initiative,

-- *Creation of an U.S.-Africa Economic Forum.* The Administration will establish a Cabinet- and Minister-level forum to meet once per year in order to raise the level and caliber of the dialogue between the United States and Africa's strongest reformers,

-- *Bilateral technical assistance to promote reforms.* USAID will finance short-term technical assistance to African governments to liberalize trade and promote exports; comply with WTO obligations and assume additional ones, and make financial and fiscal reforms. The U.S. Department of Agriculture will provide technical assistance to promote agri-business linkages.

-- *Support for agricultural market liberalization.* As part of the new multi-year Africa Food Security Initiative, USAID will help address such critical agricultural policy issues as market liberalization, agricultural export development, and agribusiness investment in processing and transport of agricultural commodities.

-- *Trade Promotion.* The Trade Development Agency(TDA) will increase the number of reverse missions to growth-oriented countries.

-- *Programming commodity assistance.* To help countries experiencing budget shortfalls in the course of their growth-through reform programs, and to encourage more effective spending on human resource development and agricultural policy reform, the Administration will take steps to focus PL-480 Title I assistance more on growth-oriented countries in Africa and will explore the possibilities to increase funding for Title III

assistance from within PL-480.

-- *Support for economic policy reform.* In FY-98 USAID will provide support for growth-oriented programs with both technical assistance and program support funds.

--*Financing and debt relief:* The Administration has looked carefully at the need for well-targeted, appropriate financial assistance and debt relief. The need for financing --both budget and balance-of-payments support -- debt relief would be acute for countries pursuing aggressive trade liberalization and trying to maintain, or even increase, useful investments in health, education and infrastructure development. We want to ensure that liberalizing countries have enough breathing space to carry through with a comprehensive program of trade liberalization and tax reforms. Accordingly, we proposed the debt relief initiative cited above and we also intend to seek enhanced financial support through the International Financial Institutions. Their specific contributions would include, for example

- Enhanced financing under the Enhanced Structural Adjustment Financing (ESAF) and the International Development Agency (IDA) policy-based loans to support countries where bold structural reforms, such as trade sector liberalization, result in greater financing requirements;
- Financing for improvements to infrastructure related to trade and business development, such as improvements to ports, railways, roads, and storage facilities.

Finally, the Administration's program will hopefully lay the groundwork for a third level of economic involvement: the creation of free trade areas. We share your view that negotiations on removal of trade barriers and on eventual free trade agreements can be a catalyst for increased trade. We think that it is important that we send a signal to our private sector that we are serious when we say that Africa has the potential to become a more significant U.S. trading partner. Therefore, we believe we should affirm that we are open to pursuing free trade agreement negotiations with our trading partners in Africa, who are ready to take on those obligations, just as we have affirmed with our partners in South and Central America and in Asia. The proposal in the "Growth and Opportunity Act" that we report on plans for such agreements with African countries would provide such an opportunity.

We invite all Sub-Saharan countries to pursue a course toward freer trade and open markets by participating in this comprehensive program. This graduated approach takes into account their diversity, commitment, and potential.

To magnify the economic impact of this proposal, the Administration will encourage Africa's trading and investment partners to take bilateral and multilateral actions that work toward the same ends as those described above. We will particularly be discussing this matter at

the forthcoming summit of industrialized nations in Denver. Collaboration among Summit partners on matters affecting Africa has already yielded major results, with the unveiling last year of a program of multilateral debt reduction for Heavily Indebted Poor Countries --the HIPC Initiative --which will benefit a number of poor African countries that are pursuing strong reform policies but are burdened with particularly heavy debt loads. We believe that a discussion of the need to accelerate economic growth in Sub-Saharan Africa at the Denver Summit will provide similarly powerful impetus for further global action on Africa's behalf.

As I noted earlier Mr. Chairman, we believe the legislation before your Committee and the program I have just described are quite complementary. We hope that we can work together to develop legislation and a program that allows our trade relations with Africa to enhance broad economic reform and accelerated growth on the continent. Mr. Chairman, we look forward to working with you and the other Members of the Committee. Please accept my thanks for this opportunity to speak with you.